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FM AMEMBASSY BOGOTA
TO RUEHC/SECSTATE WASHDC PRIORITY 1823
INFO RUEHCV/AMEMBASSY CARACAS PRIORITY 0068
RUEHLP/AMEMBASSY LA PAZ MAR 9294
RUEHPE/AMEMBASSY LIMA PRIORITY 5989
RUEHZP/AMEMBASSY PANAMA PRIORITY 1362
RUEHQI/AMEMBASSY QUITO PRIORITY 6641
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

UNCLAS BOGOTA 000911

SIPDIS

SENSITIVE
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WHA/EPSC FOR PMAIER; EEB/OMA FOR ASIROTIC; TREASURY FOR
MEWENS

E.O. 12958: N/A

TAGS: ETRD ECON PREL PGOV CO

SUBJECT: VENEZUELAN NATIONALIZATION THREAT Rattles
COLOMBIAN MARKET

REF: A. (A) BOGOTA 903
¶B. (B) BOGOTA 901

¶1. (SBU) SUMMARY: Adding fuel to the diplomatic crisis between Colombia and Ecuador over the killing of FARC senior commander Raul Reyes (ref A), Venezuelan President Hugo Chavez warned he may nationalize Colombian companies operating in Venezuela. While a number of Colombian private sector representatives we talked to believe GOV nationalizations remain unlikely, the threat was enough to rattle Colombia's stock market March 6 and drive the peso lower against the U.S. dollar, before rebounding March 7. GOC officials acknowledged the threat, but limited their reaction to insisting that the GOV pay fair market values should any nationalizations take place. END SUMMARY.

Raising the Specter of Nationalization

¶2. (U) Following a March 5 statement by President Chavez indicating the GOV would look at Colombian businesses in Venezuela for potential nationalization, stock prices for Colombian companies with major assets in Venezuela dragged the local market down almost 1 percent March 6. The firms with the largest exposure include food processor Nacional de Chocolates, cement maker Argos, and textile producer Coltejer. Market jitters also pushed the Colombian peso to a two-week low against the U.S. dollar. However, reflecting post-crisis market volatility, Colombian stocks rallied on March 7 to finish the week only slightly down from the pre-crisis February 29 close.

Measured GOC Reaction

3. (U) Finance Minister Zuluaga and other GOC officials reacted in a measured fashion to the prospect of nationalizations of Colombian companies in Venezuela. In public statements, Zuluaga said only that, in the event of a possible nationalization, the GOC expected Venezuela to pay fair market values for any properties taken.

Nationalization: More Trouble than its Worth?

¶4. (SBU) Despite the nervousness circulating in the local business community, Colombian Stock Exchange (BVC) President Juan Pablo Cordoba described market concerns as

"disproportionate" to the threat. Similarly, German Verdugo, Director of Economic Research at the local brokerage firm Correval, downplayed to us the likelihood of Venezuelan expropriations or even large-scale nationalizations. Verdugo pointed out that should the GOV pursue expropriations it would have to confront the prospect of court-ordered indemnifications such as with the case of ExxonMobil.

Likewise, given the increasing shortages of food products in Venezuela, the GOV will likely remain hesitant to exacerbate the problem by going after Colombian food processing companies. Verdugo noted that the GOV had made similar threats against Italian food processor Parmalat, but so far they have failed to materialize.

Brownfield